

## INSTRUCTIONS FOR FILING ESTIMATED TAX VOUCHERS

# 2005

**WHAT'S NEW FOR 2006**—The standard deduction will increase to \$1,970 for 2006. Pension exclusion is \$41,110 for 2006.

**WHO MUST MAKE PAYMENTS**—Persons who can reasonably expect to have income of more than \$5,000 from which no Kentucky income tax will be withheld may be required to make estimated tax payments. Persons who do not prepay at least 70 percent of their income tax liability for the year will be subject to a penalty for underpayment of estimated tax. The prepayments may be made through withholding, a credit forward from the previous year's income tax return or estimated tax payments. The worksheet on the reverse should be used to determine the amount which should be paid through estimated tax payments. **If the amount of estimated tax for the year is \$500 or less, no payment is required.**

**MARRIED TAXPAYERS**—Spouses who file separately on a combined income tax form (Form 740) should calculate their estimated tax liabilities separately but combine their payments on one Estimated Tax Voucher (Form 740-ES). Please enter each taxpayer's Social Security number on the vouchers.

**WHEN TO PAY**—Taxpayers may pay the full amount of estimated tax in one payment on the earliest applicable due date, or they may pay in installments. Installments for calendar year 2006 are due April 17, June 15, September 15, 2006, and January 16, 2007. Any credit from a 2005 income tax return should be applied to the amount owed before any payments are made. Installment payments should not be made until the amount of the credit has been used. A voucher should be filed only when a payment is required.

**IF INCOME CHANGES**—Due to changes in sources or amounts of income during the year, a taxpayer who is not required to pay estimated tax at the beginning of the year may be required to pay during the year. A taxpayer may also be required to recompute the estimated tax and to adjust the amount of the installments during the year as a result of changes in sources or amounts of income. Whenever the initial estimate is required or the change occurs, a taxpayer electing to pay in installments must pay the total amount of tax due in equal amounts on the remaining due dates.

Period When Estimate Required or Change Occurs	Due Date	Number of Equal Installments
January 1–April 1	April 17, 2006	4
April 2–June 1	June 15, 2006	3
June 2–September 1	September 15, 2006	2
September 2–December 31*	January 16, 2007	1

*\*If the change occurs after September 1, 2006, the voucher is not required if the 2006 Kentucky income tax return is filed and the tax shown to be due is paid on or before January 31, 2007.*

**FISCAL YEAR FILERS**—If you pay tax for a fiscal year instead of a calendar year, your due date is the 15th day of the fourth, sixth and ninth months of your fiscal year and the 15th day of the first month of the following fiscal year.

**TAX CREDITS**—In calculating estimated tax, tax credits are applied in the same way as on the Form 740. A \$20 credit is allowed for each taxpayer and each dependent. If a spouse has no gross income or is not filing a separate voucher, a taxpayer may claim a \$20 credit for the spouse. Two additional tax credits are allowed for each taxpayer or spouse who is 65 or older at the end of the taxable year. Two additional credits are also allowed for each taxpayer or spouse who is blind at the end of the taxable year. One additional credit is allowed for taxpayers who are members of the Kentucky National Guard at the end of the taxable year.

**FAMILY SIZE TAX CREDIT**—The new Family Size Tax Credit is based on modified gross income (MGI) and the size of the family. If your total MGI is \$25,736 or less you may qualify for Kentucky Family Size Tax Credit. See page 2 for additional information.

**FARM INCOME**—Taxpayers with income from farming are not required to make installment payments if they meet the following criteria: (1) two-thirds of gross income is from farming; and (2) the entire amount of estimated tax is paid on or before January 16, 2007; or (3) the 2006 income tax return is filed and total tax is paid on or before March 1, 2007.

**PENALTY FOR UNDERPAYMENT**—A penalty equal to 10 percent of any underpayment may be assessed. The underpayment is calculated by taking 70 percent of the amount on Form 740, Line 26 (income tax liability) and subtracting taxes prepaid through a credit forward, withholding and estimated tax payments. Minimum penalty is \$25.

**HOW TO USE ESTIMATED TAX VOUCHERS**—Enter your name, address and Social Security number(s) in the spaces provided. If you received vouchers with your name, address and Social Security number(s) printed on them, please check for accuracy and make necessary changes.

In the payment block, enter the amount of payment. Do not enter amounts paid through a credit from a previous year.

**HOW TO PAY**—Make check payable to **Kentucky State Treasurer**. Mail the check with the voucher to: **Kentucky Department of Revenue, Frankfort, KY 40620-0009**. To ensure accurate crediting to your account, you must send the voucher with your check. Please write your Social Security number(s) on the face of your check. If you wish to mail your first installment with Form 740, please prepare a separate check for the amount shown on the voucher and include the voucher marked "Installment 1."

# Estimated Tax Worksheet (Keep for your records)

2006

1. Enter your total estimated wages subject to withholding .....	1		
2. Enter your total estimated taxable income from sources with no withholding .....	2		
3. Add lines 1 and 2 .....	3		
4. Enter estimated adjustments to income .....	4		
5. Subtract line 4 from line 3. This is your ESTIMATED ADJUSTED GROSS INCOME .....	5		
6. Enter estimated allowable itemized deductions <b>or</b> the standard deduction of \$1,970 .....	6		
7. Subtract line 6 from line 5. Enter the difference here. This is your ESTIMATED NET INCOME .....	7		
8. Compute tax on estimated net income from line 7 using the tax rate schedule below. ENTER TAX HERE .....	8		
9. Enter your tax credits (see instructions for "Tax Credits" on reverse) .....	9		
10. Enter Family Size Tax Credit using percentage from worksheet below .....	10		
11. Enter Kentucky income tax to be withheld in 2006. Add lines 9, 10 and 11 and enter total at right .....	11		
12. Subtract the total on line 11 from line 8. This is your Estimated Kentucky Income Tax for 2006. Enter here. <b>If this amount is \$500 or less, payment is not required</b> .....	12		
13. Divide line 12 by 4. This is amount of each installment. Enter here and in Column B, lines 1 through 4 of Record of Estimated Tax Payments Schedule below .....	13		

**Family Size Tax Credit (FSTC)** is based on modified gross income (MGI) and the size of the family. MGI is equal to federal adjusted gross income plus any interest income from other states' municipal bonds and pension income from a qualifying lump-sum distribution.

## Size of Family Unit:

- 1—an individual either single or married living apart from his or her spouse for the entire year
- 2—an individual with one qualifying child or a married couple
- 3—an individual with two qualifying children or a married couple with one qualifying child
- 4 or more—an individual with three qualifying children or a married couple with two qualifying children.

Family Size	One		Two		Three		Four or More		FSTC
If MGI . . .	is over	is not over	is over	is not over	is over	is not over	is over	is not over	Percentage is
	---	\$ 9,570	---	\$12,830	---	\$16,090	---	\$19,350	100
	9,570	9,953	12,830	13,343	16,090	16,734	19,350	20,124	90
	9,953	10,336	13,343	13,856	16,734	17,377	20,124	20,898	80
	10,336	10,718	13,856	14,370	17,377	18,021	20,898	21,672	70
	10,718	11,101	14,370	14,883	18,021	18,664	21,672	22,446	60
	11,101	11,484	14,883	15,396	18,664	19,308	22,446	23,220	50
	11,484	11,867	15,396	15,909	19,308	19,952	23,220	23,994	40
	11,867	12,154	15,909	16,294	19,952	20,434	23,994	24,575	30
	12,154	12,441	16,294	16,679	20,434	20,917	24,575	25,155	20
	12,441	12,728	16,679	17,064	20,917	21,400	25,155	25,736	10
	12,728	---	17,064	---	21,400	---	25,736	---	0

## TAX RATE SCHEDULE

If taxable income is:	Tax is:
\$3,000 or less	2% of taxable amount
over \$3,000 but not over \$4,000	\$60 plus 3% of amount over \$3,000
over \$4,000 but not over \$5,000	\$90 plus 4% of amount over \$4,000
over \$5,000 but not over \$8,000	\$130 plus 5% of amount over \$5,000
over \$8,000 but not over \$75,000	\$280 plus 5.8% of amount over \$8,000
over \$75,000	\$4,166 plus 6% of amount over \$75,000

The schedule below is for your records only and are not to be mailed to the Department of Revenue.

## RECORD OF ESTIMATED TAX PAYMENTS SCHEDULE

	Col. A	Col. B	Col. C	Col. D
Voucher Number	Date	Amount from line 13 above.	2005 overpayment credit applied to installment. Subtract C from B.	Amount to be paid with voucher. Enter here and on Vouchers 1-4.*
1				
2				
3				
4				
Total				

\*If zero or less, do not file a voucher. If amount credited exceeds amount of installment enter excess in Column C of the next line.